

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2016

Docket No. ACR2016

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-3, 4.a, 4.c, AND 5-8 OF CHAIRMAN'S INFORMATION
REQUEST NO. 10

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 10, issued on January 27, 2017. Each question is stated verbatim and followed by the response. The response to Question 4.b is still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Annual Performance Plans must “[cover] each program activity set forth in the Postal Service budget....” 39 U.S.C. § 2803(a). The Postal Service's FY 2017 congressional budget submission lists the Postal Service's program activities.¹ The Commission previously found that the “Postal Service budget” in section 2803(a) means its operating budget that is part of the Postal Service's Integrated Financial Plan.² Please provide a crosswalk between the program activities in the FY 2017 Integrated Financial Plan and the program activities listed in the Postal Service's FY 2017 congressional budget submission.

RESPONSE:

The FY 2017 Congressional Budget submission for FY 2017 includes estimates of revenues and expenses for FY 2016 and FY 2017.

Revenues

The table below summarizes revenue and mail volume from the Congressional Budget workpapers in the same format as is used in the Postal Service's 10-K and IFP and compares Congressional Budget projections to actual FY2016 results and the FY 2017 IFP.

¹ United States Postal Service FY 2017 Budget: Congressional Submission, Workpapers, and Summary Tables SE-1, 2 and 6, February 25, 2016, at II-14.

² Docket No. ACR2015, Analysis of the Postal Service's FY 2015 Annual Performance Report and FY 2016 Performance Plan, May 4, 2016, at 14 (FY 2015 Analysis); see United States Postal Service, Fiscal Year 2017 Integrated Financial Plan, December 2, 2016 (FY 2017 Integrated Financial Plan).

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\$ and pieces in billions	2016 Est in CB	2016 actual	Diff	% Diff	2017 Est in CB	2017 IFP	Diff	% Diff
<u>First Class</u>								
volume	60.4	60.9	0.5	0.8%	58.1	59.4	1.3	2.3%
revenue	\$ 27.2	\$ 27.3	\$ 0.1	0.3%	\$ 25.7	\$ 26.0	\$ 0.3	1.1%
<u>Standard</u>								
volume	78.8	80.9	2.1	2.7%	78.0	81.2	3.2	4.1%
revenue	\$ 17.2	\$ 18.0	\$ 0.8	4.7%	\$ 16.7	\$ 17.7	\$ 1.0	5.9%
<u>Shipping & Packages</u>								
volume	4.8	5.1	0.3	7.2%	5.0	5.5	0.5	9.0%
revenue	\$ 17.1	\$ 17.3	\$ 0.3	1.5%	\$ 18.2	\$ 19.0	\$ 0.8	4.3%
<u>International</u>								
volume	1.0	1.0	0.1	5.3%	1.0	1.0	0.0	4.1%
revenue	\$ 3.0	\$ 2.7	\$ (0.3)	-11.3%	\$ 3.2	\$ 2.8	\$ (0.4)	-11.2%
<u>Periodicals</u>								
volume	5.6	5.5	(0.0)	-0.3%	5.3	5.4	0.1	2.5%
revenue	\$ 1.5	\$ 1.5	\$ (0.0)	-0.3%	\$ 1.4	\$ 1.4	\$ (0.0)	-0.7%
<u>Other</u>								
volume	0.4	0.5	0.1	24.7%	0.3	0.4	0.1	20.8%
revenue	\$ 3.4	\$ 3.6	\$ 0.2	6.7%	\$ 3.3	\$ 3.8	\$ 0.6	16.9%
<u>Total</u>								
volume	150.9	153.9	3.1	2.0%	147.7	152.9	5.2	3.5%
revenue	\$ 69.3	\$ 70.4	\$ 1.0	1.5%	\$ 68.5	\$ 70.7	\$ 2.2	3.3%
Note: Revenues and volumes from the Congressional Budget Workpapers have been reclassified to conform to the IFP and 10-K reporting classifications to facilitate comparisons.								

Comparison of FY 2016 revenue estimate in the 2017 Congressional Budget submission to actual FY 2016 results

Total FY 2016 revenue exceeded the Congressional Budget estimate primarily due to higher than expected volumes and revenues for Shipping and Packages.

The volume of First Class Mail in FY 2016 was 0.8 percent higher than projected at the time the 2017 Congressional Budget was prepared. Although the migration to electronic communications and transactional mail continued, the rate of decline was lower than was originally estimated. This was likely due to continuing economic growth and the expiration of the exigent surcharge in April 2016, which lowered the real cost of mail. First-Class Mail revenue was approximately \$0.1 billion higher in FY 2016 than

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was estimated when the 2017 Congressional Budget was prepared, due to the factors noted above.

Standard Mail volume was 2.7 percent higher in FY 2016 than projected at the time the 2017 Congressional Budget was prepared. This was driven by continued economic growth, the expiration of the exigent surcharge and higher political mail volume associated with the 2016 elections. Standard Mail revenue was approximately \$0.8 billion higher compared to the estimate included in the 2017 Congressional Budget.

Shipping and Packages consists largely of Competitive services that can be priced to reflect current market conditions, including Priority Mail, Priority Mail Express, Parcel Select, and Parcel Return. Shipping & Packages grew 7.2 percent higher in FY 2016 than projected at the time the 2017 Congressional Budget was prepared, due to successful efforts to grow the Postal Service's shipping services, e-commerce fulfillment markets, Sunday deliveries, and new technology. Revenue growth was only \$0.3 billion higher, as the incremental growth was concentrated in lower revenue categories.

International Mail volume was slightly higher than was estimated. The volume increased by about 5.3 percent, but due to a shift to lower-priced inbound volume and the strong dollar, which adversely affected outbound mail, the revenue growth was lower by about \$0.3 billion.

Periodical Mail matched expectations. These volumes and revenues declined in accordance with projections.

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**Comparison of FY 2017 revenue estimate in the 2017 Congressional Budget
submission to FY 2017 IFP**

Total FY 2017 revenue exceeded the Congressional Budget estimate primarily due to higher than expected volumes and revenues for Shipping and Packages.

The volume of First Class Mail in the FY 2017 IFP is expected to be 2.3 percent higher than was projected at the time the 2017 Congressional Budget was prepared. Although the migration to electronic communications and transactional mail continues, the rate of decline in FY 2016 was lower than was originally estimated, which carries over to FY 2017. In the FY 2017 IFP, First-Class Mail revenue is approximately \$0.3 billion higher than was estimated when the Congressional Budget was prepared, due to the factors noted above.

Standard Mail volume is expected to be 4.1 percent higher in the FY 2017 IFP than was projected at the time the 2017 Congressional Budget was prepared. This is driven by continued economic growth, the expiration of the exigent surcharge and higher political mail volume associated with the 2016 elections. Standard Mail revenue is expected to be approximately \$1.0 billion higher compared to the estimate included in the 2017 Congressional Budget due to the factors noted above.

Shipping and Packages volume is expected to be 9.0 percent higher in the FY 2017 IFP than was projected at the time the 2017 Congressional Budget was prepared, due to ongoing successful efforts to grow the Postal Service's shipping services, e-commerce

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fulfillment markets, Sunday deliveries, and new technology. Revenue growth is expected to be \$0.8 billion higher, as the incremental growth is expected to be concentrated in lower revenue categories.

International Mail volumes are projected to be slightly higher in FY 2017 IFP than were estimated when the 2017 Congressional Budget was prepared. Although volume is expected to increase by about 4.1 percent, a shift to lower-priced inbound volume and the strong dollar, which adversely affects outbound mail, resulting in lower revenue by about \$0.4 billion.

Periodical Mail volume is expected to be slightly higher than was projected in the FY 2017 Congressional Budget; however, revenues are essentially flat compared to those projections, due to lower estimated weight per piece.

Expenses

The table below summarizes expenses from the Congressional Budget workpapers in the same format as is used in the Postal Service's 10-K and IFP and compares Congressional Budget projections to actual FY 2016 results and the FY 2017 IFP.

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\$ in billions	2016 Est in CB	2016 actual	\$ Diff	% Diff	2017 est in CB	2017 IFP	\$ Diff	% Diff
Controllable Expenses								
Compensation and Benefits	52.1	53.2	1.1	2.2%	51.0	53.6	2.6	5.2%
Transportation	7.0	7.0	(0.0)	-0.1%	7.3	7.2	(0.1)	-1.4%
Depreciation	2.0	1.7	(0.3)	-14.3%	1.9	1.6	(0.3)	-14.4%
Other nonpersonnel	8.2	7.9	(0.3)	-3.7%	8.2	8.2	-	0.0%
Total Controllable expenses	69.3	69.8	0.5	0.8%	68.3	70.6	2.3	3.3%
RHB Prefunding	(5.8)	(5.8)	-	-	-	-	-	-
FERS Unfunded Liability Amort	(0.2)	(0.2)	-	-	(0.2)	(0.2)	-	-
CSRS Unfunded Liability Amort	-	-	-	-	(1.2)	(1.2)	-	-
RHB Unfunded Liability Amort	-	-	-	-	(2.9)	(2.9)	-	-
Workers Comp. Fair Value & Other Non Cash	-	(1.3)	(1.3)	-	-	-	-	-
Total Expenses	75.3	77.1	1.8	2.4%	72.6	74.9	2.3	3.1%

Comparison of FY 2016 expense estimate in the 2017 Congressional Budget submission to actual FY 2016 results

Actual expenses in FY 2016 were \$0.5 billion higher than projected at the time the 2017 Congressional Budget was prepared. Total expenses exceeded estimates primarily due to additional workhours needed to process increased volumes of Standard Mail and packages. Compensation and benefits were \$1.1 billion higher than estimated, due to additional workhours needed to process increased volume of Standard Mail and packages. Transportation expense in FY 2016 was flat compared to the Congressional Budget projection. Depreciation was \$0.3 billion lower due primarily to the deferral of capital investments. Other nonpersonnel expenses were \$0.3 billion lower than projected due to ongoing cost-containment efforts.

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Non-cash adjustments to Worker's Compensation liability are not included in the IFP or Congressional Budget estimate because they cannot reasonably be estimated.

Comparison of FY 2017 IFP expense estimate to the 2017 Congressional Budget submission

Expenses in the FY 2017 IFP are projected to be \$2.3 billion higher than in the FY 2017 Congressional Budget. Total expenses in the IFP are expected to exceed the FY 2017 Congressional Budget estimates primarily due to additional workhours needed to process increased volumes of Standard Mail and packages. Compensation and benefits are expected to be \$2.6 billion higher than estimated, primarily due to additional workhours needed to process increased volume of Standard Mail and packages.

Transportation expense projected in the FY 2017 IFP are essentially flat (\$0.1 billion lower) compared to the 2017 Congressional Budget projection. Depreciation is expected to be \$0.3 billion lower due primarily to the deferred capital investments in recent years. Other nonpersonnel expenses are projected to be flat compared to the FY 2017 Congressional Budget due to ongoing cost-containment efforts.

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2. If a performance goal has not been met, the report for that fiscal year must explain and describe: (1) why the goal was not met; and (2) the "plans and schedules" for achieving the performance goal. 39 U.S.C. § 2804(d)(3). In its FY 2015 Analysis, the Commission stated that to fully comply with 39 U.S.C. § 2804(d)(3), the Postal Service should provide timelines for its plans to achieve performance goals if timelines fall outside of the fiscal year covered by the annual performance plan. FY 2015 Analysis at 15.
- a. The Postal Service failed to meet FY 2016 targets for all but one performance indicator for the Deliver High-Quality Service performance goal. See FY 2016 Annual Report at 15. Please explain why the targets were not met.
 - b. Please explain and describe the "plans and schedules" for meeting FY 2017 targets for the Deliver High-Quality Service performance indicators. See 39 U.S.C. § 2804(d)(3)(B). Please provide timelines for plans that extend beyond FY 2017.
 - c. The Postal Service states it will achieve the FY 2017 Deliveries per Work Hour SPLY percent target by "capturing work hour reductions from operational initiatives." FY 2016 Annual Report at 22. Please elaborate to explain what operational initiatives it is considering or plans to implement to capture any work hour reductions, and describe the plans and schedules for meeting the FY 2017 target. See 39 U.S.C. § 2804(d)(3)(B). Please provide timelines for plans to meet the target if they extend beyond FY 2017.

RESPONSE:

a.

To start, the pertinent table from the FY 2016 Annual Report is reproduced:

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U.S. Postal Service FY2016 Results and FY2017 Targets for Corporate-wide Goals

Goal	Measure	FY2017 Target	FY2016 Actual	FY2016 Target	FY2015 Actual	FY2015 Target	FY2014 Actual	FY2014 Target	FY2013 Actual	FY2013 Target
Deliver High-Quality Service (% on-time)	Single-Piece First-Class Mail Overnight ¹	N/A	N/A	N/A	95.55	96.80	96.00	96.80	96.14	96.70
	Two-day	96.50	94.66	96.50	93.28	96.50	94.90	96.50	95.26	95.10
	Three-to-Five-day	95.25	83.66	95.25	76.56	95.25	87.70	95.25	91.60	95.00
	Presort First-Class Mail Overnight	96.80	96.16	96.80	95.74	96.80	97.00	96.80	97.20	96.70
	Two-day	96.50	95.05	96.50	93.56	96.50	96.40	96.50	97.00	95.10
	Three-to-Five-day	95.25	91.68	95.25	87.78	95.25	92.20	95.25	95.10	95.00
	First-Class Composite ²	N/A	93.00	96.00	89.64	96.00	94.11	96.00	N/A	N/A
	First-Class Mail Letter & Flat (FCLF) Composite ³	96.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Standard & Periodical Composite ⁴	91.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Standard Composite ⁵	N/A	92.97	91.00	89.58	91.00	90.09	91.00	N/A	N/A

FY 2016 Annual Report at 15

There are two significant factors that contributed to the Postal Service falling short of achieving these service performance targets. These include the relative success of individual plants in achieving national Operating Plan targets (collectively known as the 24-Hour Clock) and sub-target utilization of mail processing equipment in some plants.

24-Hour Clock indicators that are of specific concern include:

- **Outgoing Primary Cleared by 2400**

Goal is for processing plants to clear 100 percent of the First-Class Mail (FCM) that originates in the local service area by midnight. This metric applies to mail within each of the FCM service targets. Success or failure in achieving this target directly influences the ability to achieve subsequent 24-Hour Clock targets.

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- Mail Assigned by 0230

Goal is for processing plants to assign (scan) 100 percent of the FCM that travels via the Air Transportation Network by 2:30 a.m. This metric applies primarily to mail within 3-5 day service standard targets. Success or failure in achieving this target directly influences the ability to achieve subsequent 24-Hour Clock targets.

- Trips On-Time 0000-0700

Goal is for processing plants to dispatch 100 percent of the Surface Transportation Network trips that depart between midnight and 7:00 a.m. on time. This metric applies primarily to mail within Overnight and 2-day service standard targets. Success or failure in achieving this target directly influences the ability to achieve subsequent 24-Hour Clock targets.

- MMP Cleared by 1500

Goal is for processing plants to clear 100 percent of the FCM that originates outside of the local service area, but which destines in the local service area, by 3:00 p.m. This metric applies to mail within all FCM service standard targets. Success or failure in achieving this target directly influences the ability to achieve subsequent 24-Hour Clock targets.

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Mail Processing Equipment Utilization

In some plants, ineffective utilization of mail processing equipment affected the ability to achieve key 24-Hour Clock targets. Achievement of hourly efficiency (pieces per hour) and daily volume targets (pieces processed per day) are opportunities for improvement.

b.

24-Hour Clock

The Postal Service is developing weekly performance exception reports at the individual plant level that identify the average amount of mail processed after the respective 24-Hour Clock target clearance time. Outgoing Primary Cleared by 2400 and MMP Cleared by 1500 are two of the metrics that will be included in this report. The Postal Service is also analyzing the on-time performance of "long-haul" surface network trips which transport primarily 3-5 day mail, separately from the trips which serve a plant's local service area. The latter trips transport mail of all FCM service performance categories including the Overnight (1-day) standard. This metric is measured by the number of trips that depart late from the originating facility between the hours of midnight and 7:00 a.m. By identifying the specific opportunities at the plant level, the Postal Service can develop and implement the appropriate solutions.

It is anticipated that the exception reporting will be in place by March 1, 2017. It is also anticipated that the Postal Service will be achieving the clearance time targets 95

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percent of the time and the Trips On-time target 88 percent of time by the end of FY 2017.

Mail Processing Equipment Utilization

The Postal Service is taking steps to improve equipment utilization performance through analysis of daily planning and performance tools. The Daily Machine Utilization report tracks key utilization data for letter mail and parcel sorting equipment. This report also provides visualization for important utilization metrics, yielding insight into capacity opportunities across the network. The Run Plan Generator (RPG) report provides performance results to achieving volume, efficiency (pieces processed per hour) and operating window targets.

Effective analyses of the reporting tools will help the Postal Service to take the actions necessary to optimize utilization and better position plants to achieve the corporate 24-Hour Clock targets which are vital to providing high-quality service. The Machine Utilization Report and RPG tools are now in place and being used.

c.

Processing Operations Initiatives

The Postal Service's plans and schedules in the Processing Operations area that should assist in meeting the FY 2017 DPWH SPLY target are as follows:

- **Revision of Function 1 Scheduler Model**

This tool will provide processing facilities with standardized staffing tools based on plant specific workload and expected productivity improvements.

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Expected deployment to field: FY 2017, QTR 3

- Weekly Scheduler Tool

This scheduling tool will provide processing facilities with a standardized scheduling method to match planned mail volumes, scheduled employee leave and Run Plan Generator (RPG) models.

Deployment to field: FY 2017, QTR 2

- RPG Improvement

This initiative provides additional training to processing facility staff on RPG development, analysis and communication functions.

National workshop and training scheduled for March 2017.

Certification of compliance is due by March 31, 2017.

- Lead Mail Processing Clerk Training

This initiative provides a defined curriculum of training courses that will help enable employees who hold this position to more effectively assist Supervisors, Distribution Operations in achieving efficiency and service performance targets.

Anticipated Pilot Site Training: March 2017

Anticipated National Deployment: FY 2017 QTR 3

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Delivery Operations Initiatives

The Postal Service's plans and schedules in the Delivery Operations area that should assist in meeting the FY 2017 DPWH SPLY target are as follows:

The Postal Service is improving Lean Mail Delivery efficiency by conducting Delivery Initiative Part 1 – Office Training, to all City Delivery EAS Management, to improve Lean Mail Delivery and Street Tools. This training was actually completed in late November 2016. Validation of this Delivery Initiative Part I Training will take place by March 2017. These Office Efficiency Training courses are designed to maximize tools that assist in managing office performance.

The Postal Service will also be conducting Street Initiative Training Part 2, to City Delivery EAS Management, with a planned completion date of June 2017. This training develops supervisors' skill and knowledge to manage and improve the performance on the street, taking into account recent changes in technology.

The Postal Service will conduct Delivery Initiative Training Part 3 - Confidence Builder, to City Delivery EAS Management; training should be completed by August 2017. The subtitle for this training is "A Supervisor's Guide to Confidently Improve Performance". It addresses managing in today's environment, preparing for and confidently conducting employee performance discussions, and developing a strategic follow-up plan to address performance gaps.

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Finally, Created Delivery Management Enhancement is an initiative taking advantage of additional technology tools; use of these new tools should lead to improved street efficiency. The completion date for this initiative is September 2017.

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3. The Postal Service introduced two new Deliver High-Quality Service performance indicators for FY 2017: First-Class Mail Letter & Flat (FCLF) Composite and Standard & Periodical Composite. FY 2016 Annual Report at 15 n.3, 4, 17. These performance indicators will replace the First-Class Composite and Standard Composite performance indicators, respectively. *Id.*
- a. Please identify which First-Class Mail products were used to measure the First-Class Composite performance indicator in FY 2016.
 - b. Please identify which First-Class Mail products will be used to measure the FCLF Composite performance indicator in FY 2017. In the response, please explain how the products used to measure the First-Class Composite performance indicator differ from the products used to measure the FCLF Composite performance indicator and provide the formulas for calculating the FCLF Composite and First-Class Composite performance indicator scores.
 - c. Please identify which Standard Mail products were used to measure the Standard Composite performance indicator in FY 2016.
 - d. Please identify which Standard Mail and Periodicals products will be used to measure the Standard & Periodical Composite performance indicator in FY 2017. In the response, please explain how the products used to measure the Standard Composite performance indicator differ from the products used to measure the Standard & Periodical Composite performance indicator and provide the formulas for calculating the Standard & Periodical Composite and Standard Composite performance indicator scores.
 - e. For the FCLF Composite and Standard & Periodical Composite performance indicators:
 - i. Please provide what the FY 2016 results would have been had these performance indicators been used in FY 2016.
 - ii. Please explain how the FY 2016 results provided in response to question 3.e.i, above, were factored into the FY 2017 targets set for these performance indicators.
 - f. For the FY 2017 Report to comply with 39 U.S.C. § 2804(c), the Postal Service must provide comparable results for each performance indicator for, at a minimum, fiscal years 2014, 2015, 2016, and 2017. See FY 2015 Analysis at 17. If comparable results cannot be provided, the FY 2017 Report must explain how to compare results between the old and new methodologies. *Id.*
 - i. Please confirm that the Postal Service intends to provide comparable results for fiscal years 2014, 2015, 2016, and 2017 for

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both the FCLF Composite and Standard & Periodical Composite performance indicators in the FY 2017 Report.

- ii. If the Postal Service does not intend to provide comparable results, please confirm that the Postal Service will explain how to compare results between the old methodologies (First-Class Composite and Standard Composite) and the new methodologies (FCLF Composite and Standard & Periodical Composite) in the FY 2017 Report. If not confirmed, please explain.

RESPONSE:

a.

In FY 2016, the First-Class Composite performance indicator was comprised of these products: Single-Piece First-Class Mail Letters and Cards, Presort First-Class Mail Letters and Cards, First-Class Mail Flats, and First-Class Mail Parcels.

b.

In FY 2017, the First-Class Letter & Flat Composite performance indicator is comprised of these products: Single-Piece First-Class Mail Letters and Cards, Presort First-Class Mail Letters and Cards, and First-Class Mail Flats. The difference between the FY 2016 and FY 2017 performance indicator is that First-Class Mail Parcels are removed from the FY 2016 indicator.

FY 2016 Formula for First-Class Mail Composite:

$$\frac{\sum_{Service\ Standards} (SPFC\ Score * SPFC\ Volume\ Est.) + (PFC\ Score * PFC\ Volume\ Est.)}{\sum_{Service\ Standards} SPFC\ Volume\ Est. + PFC\ Volume\ Est.}$$

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Where

$$SPFC\ Score = \frac{(EXFC\ Score * (SPFC\ Letters\ Vol. + SPFC\ Flats\ Vol.)) + SPFC\ Parcels\ Score * SPFC\ Parcels\ Vol.}{Total\ SPFC\ Volume\ Est.}$$

$$PFC\ Score = \frac{(Presort\ Letters\ Score * Presort\ Letters\ Vol.) + (Presort\ Flats\ Score * Presort\ Flats\ Vol.)}{Total\ Presort\ FC\ Volume\ Est.}$$

SPFC Score = Single-Piece First Class Mail Percent Delivered On-time by Service Standard

SPFC Volume Est. = Single-Piece First-Class Mail Volume Estimate by Service Standard

SPFC Parcels Score = First-Class Mail Parcels Percent On-time by Service Standard

SPFC Parcels Vol.=First-Class Mail Parcels Volume Estimate

Presort Letters Score = Presort First-Class Mail Letters/Cards Percent On-Time by Service Standard

Presort Letters Vol.=Presort First-Class Mail Letters/Cards Volume Estimate by Service Standard

Presort Flats Score = Presort First-Class Mail Flats Percent On-Time by Service Standard

Presort Flats Vol.=Presort First-Class Mail Flats Volume Estimate by Service Standard

FY 2017 Formula for First-Class Mail Letter & Flat Composite:

$$\frac{\sum_{Service\ Standards} (EXFC\ Score * (SPFC\ Letters\ Vol. + SPFC\ Flats\ Vol.)) + (PFC\ Score * PFC\ Volume\ Est.)}{\sum_{Service\ Standards} SPFC\ Letters\ Vol. + SPFC\ Flats\ Vol. + PFC\ Vol.}$$

c.

In FY 2016 the products included were High Density and Saturation Letters, High Density and Saturation Flats & Parcels, Carrier Route, Letters, and Flats. However, only letter and flat-shaped pieces which were entered at a destination entry Sectional Center Facility (SCF) or a Network Distribution Center (NDC) were included in the Standard Mail Composite performance indicator.

d.

In FY 2017, the Standard Mail products included will be High Density and Saturation Letters, High Density and Saturation Flats & Parcels, Carrier Route, Letters, Flats, and

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EDDM-Retail. The composite measure will also include both Within County and Outside County Periodicals. The Standard & Periodicals Composite performance indicator will measure all letter and flat-shaped pieces of Standard Mail and Periodicals regardless of the entry location type.

FY 2016 Formula for Standard Mail Composite:

$$\frac{\sum_{All\ Types} Score * Measured\ Volume}{\sum_{All\ Types} Measured\ Volume}$$

All Types in FY 2016 formula include: SCF Entry Standard letters, SCF Entry Standard Flats, NDC Entry Standard letters, and NDC Entry Standard Flats across all Standard Mail products and all applicable service standards.

FY 2017 Formula for Standard & Periodical Composite:

$$\frac{\sum_{All\ Types} Score * Measured\ Volume}{\sum_{All\ Types} Measured\ Volume}$$

All Types in FY 2017 formula include all measured Standard Mail and Periodical letters and flats across all entry types and products and all service standards.

e.i.

The FY 2016 National First-Class Letter & Flat Composite performance score would have been 93.02, using the FY 2017 methodology. The FY 2016 National Standard & Periodicals Composite performance score would have been 90.01, using the FY 2017 methodology.

e.ii.

FY 2017 targets remain the same as FY 2016.

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f.i.

Confirmed.

f.ii.

Not applicable.

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4. The Postal Service states, "First-Class Mail Packages [FCMP] performance will be measured using a composite score of commercial and retail two-day and three-to-five day." FY 2016 Annual Report at 17.
- a. Please confirm that the Postal Service will use FCMP Composite as a performance indicator for the Delivery High-Quality Service goal in FY 2017.
 - b. If confirmed, please provide the following information for the FCMP Composite performance indicator:
 - i. Please identify which First-Class Mail products will be used to measure the FCMP Composite performance indicator in FY 2017 and provide the formula used to calculate the score.
 - ii. Please provide what the FY 2016 result would have been had this performance indicator been used in FY 2016.
 - iii. Please provide the FY 2017 target.
 - iv. Please explain how the FY 2016 result provided in response to question 4.b.ii, above, was factored into the FY 2017 target set for this performance indicator.
 - c. If not confirmed, please explain which performance indicator will measure First-Class Mail Packages service performance.

RESPONSE:

- a. Confirmed.
- b. Response under preparation.
- c. Not applicable.

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5. The Delivery performance indicator “is changing to a delivery index score that will be comprised of both a carrier survey and a PO Box survey.” *Id.* at 19. The Postal Service states that “two new questions are being introduced, which will provide more visibility into the customer’s experience with mail delivery....” *Id.*
- a. Please provide copies of the carrier survey and Post Office Box survey.
 - b. Please provide the two new questions being introduced and explain how they will provide more visibility into the customer’s experience with mail delivery.

RESPONSE:

a. There are no separate survey instruments for a carrier survey and a Post Office Box survey, per se, to be provided. Rather, the relevant survey instruments are the Residential Survey and Small Business Survey already provided in USPS-FY16-38, and submitted with rest of the ACR on December 29, 2016. Within each of these similar surveys, the customer’s response concerning how his or her mail is received (carrier or P.O. Box) will trigger the appropriate follow-up question measuring satisfaction, and whether the results will be aggregated as part of the “carrier survey” or the “PO Box survey.” These follow-up questions are stated in the response to Question 5.b., below.

- b. There are three new questions across the two new survey initiatives -

Carrier Survey: Just thinking about your overall experience with the mail or packages you have RECEIVED in the last 30 days, how satisfied are you with the performance of your Letter Carrier?

P.O. Box Survey: Just thinking about the last 30 days, how satisfied are you with your Post Office Box?

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Carrier & P.O. Box: Was the mail or package you received marked with a Stamp /
Sticker or an explanation indicating why it was damaged?

The separation of the Carrier and P.O. Box data will provide the Postal Service with a more focused, defined and actionable metric to identify customer concerns via the two primary delivery modes (Carrier & P.O. Box).

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6. In addition to the changes to the Delivery performance indicator, the Postal Service will change the Customer Insights (CI) Composite Score performance indicator to include an Electronic Customer Care component in FY 2017. FY 2016 Annual Report at 15 n.7.
- a. For the new CI Composite Score and Delivery performance indicators that will be used during FY 2017, please provide the following information:
 - i. Please identify the survey questions the Postal Service will use to measure each performance indicator in FY 2017, and provide the formulas used to calculate the scores.
 - ii. Please provide what the FY 2016 results would have been had these performance indicators been used in FY 2016.
 - iii. Please explain how the FY 2016 results provided in response to question 6.b.ii, above, were factored into the FY 2017 targets set for these performance indicators.
 - b. For the FY 2017 Report to comply with 39 U.S.C. § 2804(c), the Postal Service must provide comparable results for each performance indicator for, at a minimum, fiscal years 2014, 2015, 2016, and 2017. See FY 2015 Analysis at 17. If comparable results cannot be provided, the FY 2017 Report must explain how to compare results between the old and new methodologies. *Id.*
 - i. Please confirm that the Postal Service intends to provide comparable results for fiscal years 2014, 2015, 2016, and 2017 for both the new CI Composite Score and Delivery performance indicators in the FY 2017 Report.
 - ii. If the Postal Service does not intend to provide comparable results, please confirm that the Postal Service will explain how to compare results between the old and new methodologies for calculating the CI Composite Score and Delivery performance indicators in the FY 2017 Report. If not confirmed, please explain.

RESPONSE:

Please note that eCC is an acronym for Enterprise Customer Care, rather than (as indicated in the FY 2016 Annual Report footnote) Electronic Customer Care.

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a.i.

POS - Thinking about this visit to the Post Office, overall, how satisfied were you?

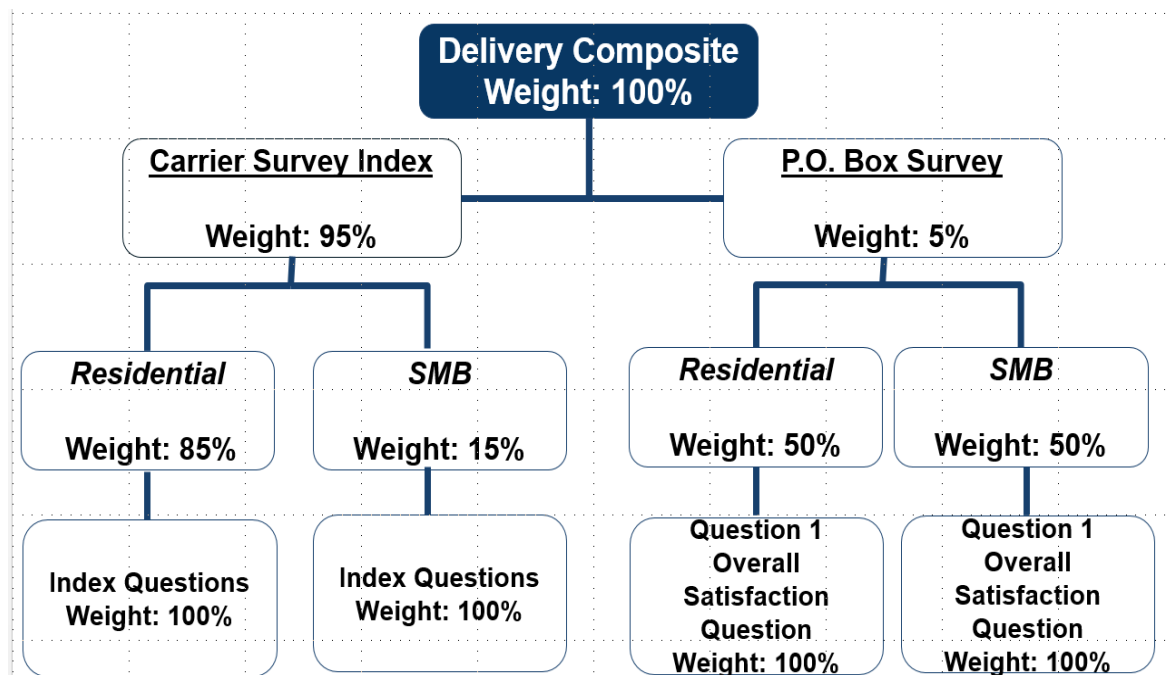
BSN- How satisfied are you with the OVERALL service provided during this interaction?

CCC - What is your overall satisfaction with your contact center experience?

eCC – Percent of reopened cases. (Not a survey)

Delivery – The Delivery questions (Carrier and PO Box) and

Composite Score methodology is below

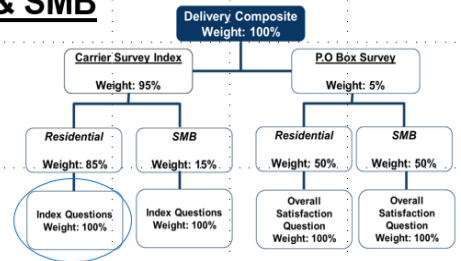


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Carrier Survey Index Questions: Residential & SMB

Index Questions each weighted equally at 25%.

**Index Questions
Weight: 100%**



Index Questions	Weight
Overall Satisfaction with Letter Carrier	25%
Delivered to the correct address	25%
Delivered in good condition	25%
Carrier friendly & courteous	25%
Index Total	100%

Customer Insights Scoring Methodology and Targets: Target is Cell 6 for each indicator

FY2017	Corporate	Area	District	Comments
eCC	10%	20%	20%	% Reopen Cases
BSN	30%	30%	30%	Measure at Area Depth
POS	15%	25%	25%	
Delivery	15%	25%	25%	
CCC	30%	0%	0%	

a.ii.

It is not possible to apply FY 2017 performance metric measurement methodologies to the Delivery survey data for FY 2016 due to the inability to separate the P.O Box and

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Letter Carrier scores. However, the eCC Reopened case percentage score was 5.1 percent for FY 2016.

a.iii.

As noted in the response to Question 6.a.ii. above, comparable scoring is not available for the delivery survey utilizing the FY 2017 scoring methodology.

b.i.

Partially confirmed. The Postal Service will provide comparable results for each component indicator (POS, BSN, Delivery, CCC, eCC) when filing the FY 2017 report, for the Overall Satisfaction index question only. Delivery will have comparable results utilizing the Overall Satisfaction score in addition to the index score calculation.

Comparable results will not be available at the Customer Insights level due to the scoring methodology, weighting, and NPA scale changes that are being implemented in FY 2017.

b.ii.

Not applicable, since the Postal Service will provide comparable results.

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7. The Postal Service states that targets for the Business Service Network (BSN), Point of Sale (POS), Delivery, and CCC performance indicators “are set and compensated at the unit level.” FY 2016 Annual Report at 15 n.7.
- a. Please explain how the Postal Service sets targets for the BSN, POS, Delivery, and CCC performance indicators. In the response, please also specify the compensation unit level for each performance indicator.
 - b. In the FY 2016 Report, FY 2016 targets for the BSN, POS, Delivery, and CCC performance indicators are listed as “N/A.” *Id.* at 15, 18. However, in its reply comments on the FY 2015 Annual Performance Report and FY 2016 Annual Performance Plan, the Postal Service stated that these performance indicators “will share the overall composite score targets for the CI measurement.”³ The FY 2016 target for the CI Composite Score performance indicator is 86.7. FY 2016 Annual Report at 15.
 - i. Please provide FY 2016 targets for the BSN, POS, Delivery, and CCC performance indicators. If no targets are provided, please explain why.
 - ii. Please provide FY 2017 targets for the BSN, POS, Delivery, and CCC performance indicators. If no targets are provided, please explain why.

RESPONSE:

a.

NPA indicator targets for the FY 2017 Plan are set to drive continuous improvement, using the current year as a baseline. More information is provided in the table below:

³ Docket No. ACR2015, United States Postal Service Reply Comments Regarding FY 2015 Performance Report and FY 2016 Performance Plan, March 8, 2016, at 8.

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<i>Customer Insights (CI)</i>	<i>Weighting</i>		
	<i>National</i>	<i>Area</i>	<i>District</i>
<i>BSN - Business Service Network</i>	30%	30%	30% (Area Score)
<i>eCC - % Reopened cases</i>	10%	20%	20%
<i>POS - Point of Sale</i>	20%	25%	25%
<i>Delivery - Res & SmB</i>	20%	25%	25%
<i>CCC - Customer Care Center</i>	20%	NA	NA

b.i.

The target for each of the FY 2016 performance indicators was 86.7.

b.ii.

The FY 2017 performance indicator targets are listed below:

POS - 90.42

Delivery - 82.67

BSN - 96.73

eCC - 3.44

CCC - 86.80

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8. The Postal Service states it conducted a Large Business Panel Survey (≥ 250 employees) in Quarters 2 and 4 of FY 2016.⁴ However, Library Reference USPS-FY16-38 indicates that the Large Business Panel Survey was conducted from October 2015 to September 2016.⁵
- a. Please confirm the dates the Large Business Panel Survey was conducted during FY 2016.
 - b. Library Reference USPS-FY16-38 describes the BSN, POS, Delivery, and CCC surveys. *Id.* at 2. Please describe the Large Business Panel Survey with a similar level of detail as these other surveys.

RESPONSE:

a.

The Large Business Panel Survey was conducted during May and September of 2016.

b.

The Large Business Panel Survey is a semi-annual survey based on a panel recruitment of respondents who complete an online survey. The respondents must work in a company with 250 or more employees for the responses to count towards scores. This survey initiative provides the Large Business Market Dominant Survey data that is reported annually.

The Large Business Panel Survey is currently conducted using a national sample of large commercial businesses (those businesses with more than 250 employees), via a panel-based methodology administered by a certified panel provider. Questions have been developed from past large business surveys to gather customer perceptions of

⁴ United States Postal Service FY 2016 Annual Compliance Report, December 29, 2016, at 72.

⁵ See Library Reference USPS-FY16-38, file "USPS-FY16-38 Preface.pdf," at 3 (Library Reference USPS-FY16-38).

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Postal Service products and services. The panel provider is responsible for identifying the person within the large business who has influence over shipping solutions; the panel provider then sends the person an email invitation to participate in the survey, including a link to this on-line survey collection tool.

A panel consists of a group of individuals who have expressed interest in participating in surveys and meet the necessary demographic criteria. The panel used for the Large Business study is recruited by a "By-Invitation-Only"® recruitment methodology. When respondents agree to be a part of a panel, they share an extensive amount of information about themselves, including individual demographics as well as firmographics, which the panel provider company uses for selection. The critical selection factor for inclusion in the Large Business Panel Survey is that the person has influence over shipping solutions in a company with over 250 employees.

More information about the Postal Service's certified panel provider and its methodology can be found at the following link: <https://marc.researchnow.com/wp-content/uploads/2016/09/Panel-Book-10-16-WEB.pdf>